

MAR 9 - 1934

The MANAGEMENT REVIEW

Volume XXIII

MARCH, 1934

Number 3

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Published Monthly by the

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20 Vesey Street

New York, N. Y.

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THE MANAGEMENT REVIEW is published monthly by the American Management Association at 20 Vesey Street, New York, N. Y., at fifty cents per copy or five dollars per year. Vol. XXIII, No. 3, March, 1934. Entered as second class matter March 26, 1925, at the Post Office at New York, N. Y., under the Act of March 3, 1879.

The **MANAGEMENT REVIEW**

March, 1934

Developing Office Management to Meet the Needs of the New Era *

*By HARRY ARTHUR HOFF, Senior Partner,
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NINETEEN THIRTY-FOUR began with an economic backlog which promises not only that we are all going to be better engaged than last year, but also that we shall be engaged more wholesomely. We have started the year on a level some twenty per cent above a year ago, and we have left behind the speculative psychology of last spring.

We have entered the year 1934 upon a well tried production base which has kept an even keel since last November. Moreover, the billions of dollars which the Roosevelt Administration has poured into agriculture and the consumer market, and into strengthening the banks and railroads, have apparently primed the pump.

Farmer earnings for the year 1933 were 1.2 billion dollars more than in 1932, an increase of 42 per cent. This money is now coming into the market both directly and through the repayment of debts. Railway earnings in 1933 were \$148,000,000, or 45.4 per cent, above 1932. This money, too, is coming into the market directly and through the repayment of loans.

The earnings of 205 industrial corporations studied by the National City Bank of New York were for the first nine months of 1933, 562 per cent above those for the corresponding months of 1932, through a rise from thirty million dollars to two hundred million dollars. The earnings of these corporations during the third quarter amounted to \$129,000,000, as against \$87,000,000 in the second quarter and a deficit of \$15,000,000 in the first

* Presented at a dinner meeting held during the joint Office Management Conference of the National Office Management Association and the American Management Association, Hotel Statler, Boston, Feb. 8, 1934.

The object of the publications of the American Management Association is to place before the members ideas which it is hoped may prove interesting and informative, but the Association does not stand sponsor for views expressed by authors in articles issued in or as its publications.

quarter of 1933. In the third quarter of 1932 these same corporations had sustained a loss of \$11,600,000. To fill in the picture, it is encouraging to note that nearly twice as many corporations were operating in the black during the third quarter of 1933 as in the year before.

Complete statistics of corporation earnings for the fourth quarter are not yet available, but according to the February 1st issue of the *National City Bank Letter*, "Earnings reports of corporations for the full year 1933 thus far published indicate in most cases a marked improvement over 1932." A preliminary tabulation of some 350 industrial companies engaged in various lines of manufacturing and trade and having an aggregate net worth of \$6,534,000,000, shows combined net profits, less deficits, of approximately \$163,000,000 in 1933, as compared with a deficit of \$41,000,000 in 1932. The 1933 profits of these 350 companies represented an average rate of return upon net worth of 2.5 per cent.

The proportion of concerns operating at a profit rose from 43 per cent of the total in 1932 to 62 per cent in 1933. Many representative companies went into the black last year for the first time since 1929 or before, while many others still operating in the red reduced the amounts of their deficits.

True, we cannot regard ourselves as out of the woods. The favorable comparisons cited have been based upon the most disastrous business year in this country's economic history.

And then, there are all the uncertainties and hopes involved in the Government's inflationary program. Our Federal Reserve member banks have now excess reserves of loanable funds amounting to approximately one billion dollars, the largest on record. These funds are awaiting legitimate demand. Let me explain that statement by referring to a report that was featured editorially recently in the *Herald Tribune*. One of the officers of the Federal Reserve Bank, apparently wishing to meet the criticism leveled against banks that they are not extending credit to business organizations, gave the figures of the operations under the Glass-Steagall Act, which permits commercial loans to be made by the Federal Reserve Banks. He said:

"We made every endeavor to extend credit wherever it could be done safely and in accordance with the law. From the middle of 1932 to the end of 1933 we received 1,286 applications for loans. Examination disclosed that the great majority were for personal loans or for mortgage loans or for funds for other capital purposes and were not in any sense short time commercial loans as required by law. We found that only 250 of the applications warranted detailed investigation. . . . After a thorough investigation we decided we could properly run the risk of making loans to fourteen borrowers involving a total commitment of \$1,417,000, of which \$806,000 was actually borrowed. Not quite half this amount has been paid off. In our endeavor to make every loan possible we made loans to two concerns which have since gone into receivership."

This billion dollars, approximately, of excess reserves which can be

used as a base for eight to ten billion dollars' worth of credit is awaiting legitimate demand. The Government's inflationary policies are aimed at stimulating this demand, and it does not appear likely under present circumstances that these policies will be relaxed in the near future.

The present year will prove whether American private initiative can be put back on its feet again, to stand alone unsupported by Government aid. But whether it can or not, it will be made to stand erect, and this implies more business, more activity in 1934 than in 1933.

What does this increased business activity mean to office management? As I see it, in all probability it is going to present two types of problem, problems of degree and problems of kind.

Under the heading of problems of degree, we must consider that increase in volume means multiplication of facilities, personnel, equipment, etc., with consequently increased demands upon supervision, control and direction.

As far as problems of kind are concerned, we must recognize that the transition from comparative inactivity to activity after a two to three-year period of hibernation cannot be accomplished simply by multiplication of existing plant, methods, personnel, etc. There is need for something more fundamental, more vital, to bring office management in line with the spirit of the times. The new era calls insistently for a type of thinking and points of view that are unlike those of former days.

What are the characteristics of this new era in which we find ourselves? Let me first emphasize the influence of increased legislation governing business. There is existing legislation, as exemplified by the National Industrial Recovery Act, which will affect very strongly, and most likely permanently, such factors as hours of labor, wages, conditions of work and of employment, labor organization, competition, prices and, by indirection, practically every phase of business.

In addition, there is prospective legislation under discussion at the present time which is pointed directly to such grave problems as unemployment insurance and provision for sickness and old age, problems as to which European countries for a generation or more have blazed the trail by developing social philosophies and devising methods and technics of administration that are applicable to their own particular needs. I refer to such countries as Denmark, Sweden, Germany, France and, later, England, all of which have been faced with problems similar to those which we now face. We must seek to learn something from the experience of those who have gone on the path ahead.

The next characteristic of the new era is the very marked change in orientation toward the worker. There is this almost spontaneous movement, accelerated from month to month, in the direction of shorter hours, improved conditions and increased security. It is not to be confused with the crystallization of progress in these matters attained as the result of legislation

imposed, but rather it seems to be gathering force as an expression of a generally awakened sense of social obligation of the employer toward the worker. Not that this sense of obligation is felt by all or even most employers (we have not yet reached the millenium), but it may be likened to a wave or current of contemporary thinking which, irrespective of legislation, must of itself be reckoned with.

Symptomatic of this state is the impetus that has been placed upon employee representation, collective bargaining, and management sharing. These are not new terms; on the contrary, they are terms which we have discussed for years. Today, however, they are taking on new meanings of practical character; they have come right into focus as things that cannot be brushed aside; they must be faced; something must be done about them.

The next characteristic to which I wish to call attention is in some respects a result of the other two. I refer to the increased cost of doing business, a factor that is causing concern to everyone who is in responsible charge of business enterprises, large or small, in this country today. Increased cost has come, first of all, as a direct result of increased legislation affecting industry itself; but it has come, also, as an indirect result of legislation affecting agriculture. Such legislation, by increasing the cost of agricultural products is raising the cost of living and, consequently, bringing about a need for increased wages.

Increased costs have also been due, in a measure, to uncertainty regarding the amount and direction of change in the value of money. To me it is passing strange that the combined wisdom and knowledge of the leaders in this country, to say nothing of the economists and scientists in allied fields, have as yet failed to solve the problem that we roughly denominate the money problem. Amid the confusion and the conflict of new theories and opinions, it is very difficult for any one of us who may sincerely desire to inform himself, to gain light upon this subject of money. It may, however, be accepted as a fact that the existing uncertainty concerning money is acting to increase the cost of doing business.

A final—but it will be conceded important—factor leading to increased cost of doing business is seen in increased taxation. It is doubtless not necessary to dilate upon this theme.

We pass, then, to another characteristic of the present era, namely, the tendency toward standardization of selling price under code agreements. We have a virtual suspension of the anti-trust laws by the NRA. We have restriction of undercutting by forbidding sales below cost of production. These two factors have as yet an undetermined influence upon prices; we are still too early in this development to hazard any kind of forecast as to what they may ultimately mean in the form of regimentation of industry, of concerted action by men who have not yet learned how to cooperate on an ethical plane pitched in the interest of all.

A fifth characteristic, and it is one upon which I believe we can readily agree, is increased mechanization. Not only has this long been a trend of the times, but its pace is accelerated by the ever present motive of counteracting increases in labor cost by the application of more and more automatic machinery. The higher wages go, the more force is there to the argument for replacing men by machines. Then, too, the movement toward increased mechanization will doubtless be stimulated by decreases in power costs which we may expect as a result of such new developments as the TVA and other power production projects.

The last characteristic which I wish to point out concerns itself with the tendency toward elimination of small business units. I think it is fair to say that, under the new conditions and in the light of the new regulations established, smaller units will find greater difficulty in competing because of the increasing cost of labor, accentuated by their inability to put large sums of money into mechanization.

When we consider the fate of the small business units, I believe we must recognize that it will probably be shared by the giant enterprises. The tendency, it seems to me, is going to be in the direction of having many more medium-sized units, particularly because of their flexibility and adjustability to changing conditions, because of their smaller capital requirements and because of the possibility of supplying them with more effective direction and control.

The drawbacks of large-sized organizations I think have long since become apparent to the careful student of economic and industrial conditions in this country. Consider the rigidity of performance that characterizes the operations of large-sized enterprises; consider the immense gulf between those who direct at the top and those who are on the firing line; consider the complex types of organization that have to be brought into being in order to make these great institutions perform; consider the enormous cost of replacement and changes.

I profoundly believe that in many respects we have long since passed the optimum as regards the size of our great business institutions, and I believe that it is measurably demonstrable that many of these institutions, even without the drastic experiences of the past four years, would have found themselves in an era of diminishing returns.

There is, also, the reaction to mergers and to over-expansion which has its effect upon this question of size, and plays into the hands of the medium-sized business organizations, while making it more difficult for the smaller ones.

So much for the broad, general considerations respecting economics and the characteristics of the new era.

I shall now briefly discuss what must be done in shaping office management in conformity with these characteristics. We need not tarry to any

extent in agreeing that the need for profitable operation under existing conditions compels keener management than ever before. While that contention applies broadly to business as a whole and particularly to the policy-making group in a business institution, it extends in fact to every function and activity and requires the participation of everyone acting in an executive capacity.

There are just two ways of affecting the profit account: either to increase income or to reduce expense. The task of office management confines itself to the second of these methods, namely, the reduction of expense. The objective of office management must, therefore, be to control or to reduce the expenses chargeable to its sphere of operation in a manner that will be in harmony with the characteristics of the times as I have previously indicated them.

In applying itself to this aim, office management must be concerned with two distinct aspects of its task, i.e., the work and the worker. Let us consider first the shaping of office management in conformity with the needs of the new era in so far as the work is concerned. It is apparent that the trend toward shorter hours and higher wages makes it essential to secure the greatest amount of effective work per man-hour. Again, this need underscores the significance of planning and scheduling; of setting standards for the various operations; of simplifying procedures and eliminating waste; of improving the quality of supervision, and of establishing adequate controls.

There is, to be sure, nothing new to office management in these five measures; for years we have been discussing them; and yet, be it said with regret, accomplishment still seems almost a distant mirage. I frankly wonder, sometimes, what type of mentality is possessed by people who can listen, agree and apparently absorb, and then not do the remotest thing about it.

There isn't anything new about planning and scheduling. Mr. Taylor's message in 1910 made an industrial order that was painfully out of joint very definitely aware of the value of planning and scheduling.

Consider the setting of standards for various operations. How long is it going to be before it penetrates the intelligence of the majority of business men that whenever we have more or less of a thing we can measure it and, correspondingly, set a standard of accomplishment? There is no task in the office or elsewhere that will not be better done under a system of standards than without the use of such measures and guide-posts.

Then, think of the simplification of procedures and of the elimination of waste. Simplicity is an unfailing attribute of anything that is enduring and worthwhile. When we seek to solve a problem and arrive at a complex answer, we ought to know that that is not the final answer—that no solution will stand the test until it has been refined to the point where it is essentially simple.

My next point was improvement of the quality of supervision. How much remains to be done in that realm! Here is a real challenge to every

office manager to lift the effectiveness of his efforts to higher levels by injecting into the task of supervision some of the qualities of leadership, some of the psychological values in which dependence may safely be placed for motivating men and women. For supervision is not merely "follow-up"; it is not at all synonymous with that meddlesome interference after the fact which so often characterizes attempts to supervise. On the contrary, supervision must partake of the nature of guidance, of inspiration, of control through well understood and accepted standards of performance. Moreover, we must not fail to perceive that supervision is exercised on various levels, that it ranges all the way from simple overseeing, as by a foreman over his employees, to superintendence and direction on the part of department heads and managers, and even to the terminal function of control. On each of these levels a definite technic of supervision may be brought to expression.

I have already touched on the need for adequate controls in making supervision effective. This is a subject in which the very essence of management is epitomized, for it implies the never-ending effort, with the help of all the forces, technics, devices and mechanisms available, to achieve predetermined results. The most comprehensive controls are those set up by sound budgetary procedure, integrating the work of one department or function with another and forming a net-work of goals of accomplishment for the entire organization.

So much for the five measures which I referred to as arms of management to be used in striving toward the goal of increased achievement per man-hour.

Another consideration of importance in connection with developing office management to meet the needs of the new era, is the necessity of accurate cost accounting in order to determine and justify selling prices. There are legitimate differences of opinion with respect to the exact allocation of the function of accounting in the organization structure, but since so much of accounting leads to paper work and paper work is of intimate concern to office employees, I include it in this discussion.

The prohibition of selling goods below cost which is a part of the recovery codes, stresses the need for accurate cost accounting. Then, too, throughout many industries there have been adopted regulations requiring uniform cost accounting. The movement in this direction will undoubtedly gain momentum for not only is it in line with the new philosophy of business, but it will, let us hope, prove amply worthwhile on its own account.

Before leaving the subject of accounting, let me refer to the need of the times for flexibility in record-keeping and accounting. This need is, of course, ever present in a well managed business; nevertheless, it is accentuated at this time because of actual and potential requirements of new legislation for submitting data and reports of one nature and another to various government agencies. In order that the required information may be sup-

plied with the least additional effort and expense, the necessity for maintaining operating and accounting records on a flexible basis takes on renewed importance.

The final factor which I wish to bring out, as far as the work itself is concerned, is that the necessity for the reduction of labor costs gives added impetus to the development of mechanized methods. I want to emphasize my belief that mechanization is a tendency which we have to accept as a characteristic of modern business. Not only is it useless quixotism to attempt to combat it, but mechanization should be recognized as a genuinely useful development both to business and to society. Any sociological theory which condemns it must be rejected as an attempt to solve existing problems by maintaining the *status quo*, or as moving backward rather than endeavoring to discover what fundamental social adjustments are required in order to encourage utilization of labor-saving machinery for the benefit of society as a whole.

I very much dislike to think of the machine as dominating man. I prefer to think of it as a useful tool. The human brain should be facile and competent enough to use it intelligently for the service of man, and I submit that it simply obstructs clear thinking to look upon mechanization in general as some monster that is going to devour human beings and that has subjected them to abject service.

So much for discussion of the work itself under present-day conditions. Now, with respect to the worker. I have already dwelt upon the necessity for securing the maximum effective work per man-hour, that is to say, the necessity for capitalizing the labor dollar. This need is dominant not alone with respect to factors affecting the work, but also in relation to all these aspects which we are accustomed to regard as a part of the personnel problem. The first of these which I wish to single out for mention is scientific selection based upon job analysis.

It is just fifteen years ago since I was assigned the responsibility in the National Association of Corporation Schools, the organization from which the American Management Association sprang, of functioning as chairman of a committee on job analysis. In those days that was a curious and weird and wonderful term. It fell to my lot to define job analysis and, if I am not mistaken, that is the first time in American literature that you will find any recorded definition of job analysis.

The committee deliberated a great deal and finally concluded to define job analysis, as I remember it now, as the process by which the component elements of a job are determined and the human qualifications necessary for its successful performance are established. It has never needed to be said much better than that, but what has been very much needed ever since is an understanding of the value of the analysis of the job as a point of departure in all planning and improvement, and especially of the almost indispensable

quality of job analysis in connection with the selection and training of employees. Under today's conditions and, it is to be feared, the conditions which will prevail for many years to come, the responsibility of management for correct selection of employees according to standards set up by job analysis, is more urgent than ever. Whenever new placements are made, whether by promotion or by induction of new material into the organization, the findings of job analysis should be utilized to insure the most successful and permanent results.

It is but a step from selection to training in the most effective methods of doing the work. Considerable has been done under the name of training, but much more remains to be done, and it is necessary constantly to re-emphasize the value of this activity. There is no mysterious process by which a perfect association between individuals and the jobs is made possible—no legerdemain by which they suddenly spring into effective activity. Watch the next employee who comes into your office and is placed at a desk at work with which he or she is unfamiliar; observe the methods used by that employee by a natural process of self-selection, and then determine whether they constitute the best way to do the work.

Since the dawn of civilization the faculty of teaching has demonstrated its usefulness. Why do we stop teaching when we enter the portals of a business organization?

The training of supervisors is far more important, even, than the training of employees, because supervisors are, or ought to be, focal points of influence who can transmit what they have learned to those over whom they have responsible control.

In one of the largest business institutions of its kind in the world, shortly after a most admirable example of a manual of training for supervisors had been published, some years ago, there occurred one of those sudden changes in management which so often happens in the case of big businesses; the then management was swept out and a new one took its place; the supervisors' manual was thrown into the discard, and that great institution, whose name is a household word in this country, began all over again as though it had never learned anything about the training of supervisors. The tragedy of it was that, in my judgment, the new work turned out to be not nearly so good as what the previous management had accomplished. It is too bad that inability to perform good work in this field should be accompanied by incapacity even to recognize the accomplishment of others.

But the problem of securing the most effective work results cannot be solved merely by simplifying and standardizing the work and then selecting and training the workers in the approved method. Beyond all that lies the stimulation of the workers through the installation of incentive plans of remuneration. Basic among these is standardization of salaries. If we can once get business executives to look at jobs in terms of their relative values with-

out regard at all to the numerical expression of their worth in the form of salaries, we may hope to get a concurrence of opinion as to the true relative values of the jobs, qualitatively speaking. It then becomes a comparatively easy matter to apply the quantitative values in terms of salary. However, it isn't usually done that way. The usual procedure is to think in terms of individuals. It requires almost a major operation on the intellect of executives to get them to give up that point of view, to think impersonally in terms of the jobs, and to admit that there is a possibility of relating the jobs to each other in the order of their value, qualitatively speaking, letting the monetary expression come as the result of such a qualitative arrangement. Once basic salaries have been properly standardized, we may proceed a step in the direction of increased incentives by making the question of ultimate remuneration to a certain extent conditional upon performance. I think there is nothing more stimulating than a fair, simple, sound plan of this sort, superimposed upon basically sound salary ranges. Moreover, it is in the long run the cheapest thing that can be done. The mystery to me is that the circumstance of the division of time into sixty seconds, sixty minutes, twenty-four hours, thirty days and twelve months, still has such a tremendous influence over the return to the worker for the effort put forth.

Another aspect of the adjustment of office management to meet the needs of the new era may be said to apply equally to the work and the worker. I refer to the influence, both of regulation of hours and probable legislation bearing upon unemployment benefits, on the leveling of production peaks. Such peaks have always been one of the baneful concomitants of irregular operating requirements, and very often they have been indicative of poor planning and management. With legal restrictions upon regular and overtime hours on the one hand, and the probable penalty of having to pay unemployment benefits to workers who are laid off, on the other, management will have to seek a way of eliminating, or at least materially reducing, production peaks. In many an institution this will prove to be a task worthy of the most skilful planning and scheduling.

Just as this problem is brought abruptly into the foreground by conditions beyond the control of the individual business management, so too, have the subjects of collective bargaining, employee representation and management sharing been thrust into prominence by a turn of the wheel of progress. All the slow advances which have been registered in these directions during the decades since the war are now to be confirmed and extended to even the most laggard of business institutions. But I cannot do more here than merely to point again to these developments. The problem is, are we sufficiently far-seeing as business executives to understand the full implications of these measures for the development of better relationships between ownership, management and labor, and are we sufficiently adaptable to capitalize such opportunities as they present?

Viewing the changes which have occurred so rapidly to affect industrial management, we cannot but recognize that they are laying new and increasing tasks upon office management; these changes should not be regarded as of temporary nature. They represent fundamental adjustments in economic and social orientation, and future developments will tend to establish and to extend them, not to abolish or curb them.

The character of the development in office management stresses its service nature. Office management, viewed in its true perspective to the organization, is not an end in itself, but a service activity which is essential to operation for profit. It should be practiced, and should be judged, accordingly.

If the responsibilities placed upon the office manager appear to be increasing, let him consider that the greater are his responsibilities, the greater is the challenge to him. To meet it, every office manager must prime himself to make the most of his native endowment and acquired ability. The task is big enough for even the best equipped among us.

In closing, therefore, I want to summarize my message by giving a vision of five things which the office manager can do to promote the effective performance of his work and to realize his own capacities in fuller measure. First, he must learn to place more emphasis upon principles than upon methods; next, he must identify more closely the purposes and accomplishment of office management with the general objectives of the business; he must substitute a broad outlook for the limitations imposed by specialization; he must be alert to new developments in the various phases of office management; last, and most important, he must develop an outlook which will embrace areas beyond the present horizon of office management. It is only by standing upon the peaks that we can enlarge our horizons. The job of the office manager is to reach the peaks in his own field, and when he has done that, he will see new areas unfold before him. To encompass them, to make them his own, is a challenge which calls for his best effort and all the courage and ability that he has in him.

THE MANAGEMENT INDEX

Abstracts and News Items

GENERAL MANAGEMENT

Industry and the Recovery Act

The president of the Bethlehem Steel Corporation says, "the outstandingly new feature of our present situation has been American industry's experience with the National Industrial Recovery Act." A sounder basis has been developed for industry out of these hard times than it has enjoyed at any time during the post-war period. "The National Industrial Recovery Act concerns itself with various laudable purposes. Among these is its potentiality as a charter of liberties, freeing industry from certain unfair restrictions while imposing on industry certain obligations. An analysis of the Act, as enacted and interpreted, indicates that one of its chief benefits has been to relieve industry from the shackles of the anti-trust laws."

Mr. Grace goes on to say: "I do not confuse a reasonable policing of industry by the government with any attempt toward seizure of power. In permitting industry to co-operate, in freeing it from the bondage of outmoded laws adopted for public protection when conditions were vastly different from those today, and in permitting new freedom for new conditions, the government does have an obligation to see that the new privileges of industry are used constructively."

Industry has been given too little credit for its individual responsiveness to the emergency. Only by the hearty and earnest response of the various industries to the Recovery Act could progress have reached its present point. "Industry has every reason to be well pleased at the better deal for labor which has come about in the

past few months under the Recovery Act. . . . Industry knows that it is an enlightened and intelligent policy to pay the maximum wage rates which the profits of a business will bear. . . . One of the chief advantages of the codes in manufacturing industries has been the banishing of speculation in industrial prices."

"What the steel industry has done with the price structure is to put it on a basis similar to that of retail trade. With announced prices for its merchandise so that the public will know the rock-bottom figure, and will be sure that everyone else is buying at the same price from any one supplier. . . . This system permits the freest sort of legitimate competition. . . . We are without a doubt living in an age of recognized responsibility to the public, and I believe that that is a healthy condition." By Eugene G. Grace. *Scribner's Magazine*, February, 1934, p. 96:5.

Competition and Depression

The Assistant Secretary of Commerce describes the manner in which destructive competitive practices have operated to prolong and deepen the depression. In his opinion the Anti-Trust Laws should be so construed that it would be permissible for competitors to regulate their competitive practices for the purpose of eliminating those types of practices which destroy and render abortive the normal working of competition as a beneficial system of industrial self-adjustment. Under these conditions he feels that the problem of compensatory price could be trusted very largely to take care of itself and that there

would be no need for embarking upon the "dangerous and uncertain practice of pegging prices." By John Dickinson. *Credit and Financial Management*, December, 1933, p. 10:4.

Railroad Warehousing Service

A detailed study of the extent, organization, operation, services, and charges of the various phases of railroad warehousing. Factors influencing railroad entry into the warehouse field and the effects of railroad operations upon other types of warehouses are analyzed. By Felton Chow. 1931. *University of Pennsylvania*. 241 pages.

Population Growth, Consumer Demand and Business Profits

The rate of population growth in the United States is declining rapidly and will approximate zero within the next three decades. Various writers have indicated that the decline in the rate of national increase will engender industrial overcapacity and general profitlessness. Although contentions of this sort are largely invalid, the problem deserves much more attention than is being given to it by American business firms. While it is possible only within limits to determine the influence of changes

in the rate of population growth and in the composition of the population upon the various demands for the factors of production, failure to give attention to the rate of population growth makes specific over-capacitation more probable. Moreover, failure to give weight to population growth tends to make producers neglect the fact that more and more demands are unstable in nature and hence require more attention than do demands for necessity goods. Again, failure to give weight to slowing down of population growth obscures the fact that the rate of increase in the demands for various goods will be governed primarily by the changes in the rate of increase in per capita purchasing which depends predominantly upon the degree to which business men keep all the factors of production employed. However, given intelligent entrepreneurial policy, the rapid cessation of population growth entails no difficulties, no pronounced tendencies toward specific over-production, no profitlessness. But, given unintelligent entrepreneurial policy, the advent of a stationary population will be marked by an aggravation of current business difficulties. By Joseph J. Spengler. *Harvard Business Review*, January, 1934, p. 204:18.

FINANCIAL MANAGEMENT

International Raw Commodity Prices and the Devaluation of the Dollar

The fundamental problem involved in determining the efficacy of currency revaluation as a vehicle to recovery is the question as to whether or not prices respond promptly to changes in the gold content of the monetary unit. Dr. Copeland's study of price fluctuations in connection with the marketing of sensitive primary materials throughout the world leads him to conclude that one may entertain serious doubts concerning the validity of the basic theory underlying the revaluation program as applied in this country. "If there has been any direct effect," he states, "that effect has varied

radically as between the several commodities. All the contrasting differences in the price movements of these commodities could be explained, of course, by a thorough examination of the factors affecting the movement of prices. To admit that these prices have been influenced more by other factors than by the gold content of the dollar, however, is to acknowledge that the theory of the gold purchasing plan is fallacious. The cold facts prove that over a two months' period prices of the most sensitive commodities have not risen in accordance with the changes in the paper value of gold, and that lack of correlation cannot be explained by seasonal factors." By Melvin T. Copeland. *Business Research*

Study No. 5, Harvard University Graduate School of Business Administration, January, 1934. 69 pages.

Price Levels

Recovery efforts, by and large, says Dr. Sprague, monetary expert and at one time Administration advisor, "should be directed toward creating a situation in which something or other can be produced at a profit in larger quantities than in the past." Price rises which come about through such activities are beneficial, he believes, but he does not regard the artificially boosted price level as a panacea for prosperity. By Dr. O. M. W. Sprague. *The Iron Age*, February 8, 1934, p. 16:3.

New Savings Needed

That savings are essential to recovery is becoming well recognized. On this problem there has been much confusion of thought. Many persons in official life have been inclined to hold to the *credo* that our greatest want is spending, not savings. Yet, it is noteworthy that the marketing of consumption goods has declined very little during the depression, while the marketing of capital goods has slumped very markedly. The typical recovery process would involve a gradual resumption of activity in the production of capital goods, which in turn, requires new savings. Savings, too, make possible a greater production of goods for consumption at a later date. By E. C. Harwood. *Barron's*, December 4, 1933, p. 9:1.

Anti-Depression Legislation

In this study of the acts, corporations, and trends growing out of the "battle with depression" particular attention is accorded to factors influencing the banking and financial systems. The efforts to combat depression by legislation have involved a diversity of schemes, ranging from a policy of bolstering up the existing economic structure (with the primary idea of maintaining it until confidence shall have

been regenerated and activity revived) to proposals for a complete reorganization of some of our basic lines of endeavor. Dividing the period since 1929 into reconstruction and reorganization eras, the report presents a descriptive and analytical account of the unfolding program. *American Institute of Banking*, 1933. 188 pages.

"Free Coinage" and Bimetallism

With silver discussions to the fore, there has been much loose handling not only of the terms but also of the objects of silver monetization. This article describes the real meaning of bimetallism, free coinage, seigniorage, and the results which might be expected from a return to the famous 16-to-1 ratio. The author describes why the United States might be making a bad bargain with the rest of the world if it agreed to go back to bimetallism and purchase at a set price any and all silver offered. By Herbert M. Bratter. *Barron's*, January 8, 1934, p. 9:1.

Banking and Transportation Problems

An examination of the banking system, the monetary policy, and the transportation system of the United States, with an emphasis on fundamental reforms. *The Annals of the American Academy of Political and Social Science*, January, 1934. 313 pages.

Recodification of Banking Statutes Needed

The banking structure of the United States has been so severely crippled and curtailed as the result of bank closings and holidays that it is now in a less favorable position to cope with changes than at any time in the past. It is this fact which renders the actual undertaking of measures for the re-classification of banking so very difficult; and it suggests that simply to make an artificial segregation of functions as between state and federal governments might be an apparent reform that would cause considerable unnecessary business

suffering. Professor Willis therefore recommends an alternative proposal which combines an attempt to place state legislation on a uniform basis and to adopt something like the California plan for segregation of functions, even under single ownership. "Before we attempt banking unification," he points out, "we must attempt complete recodification of our banking laws; the unification to be the outgrowth and incident of an underlying and thoroughgoing reform and revision of present method." To this end, he suggests the appointment of a competent commission to "report regarding the feasibility of the matter and the ways in which the desired object could be accomplished if thought desirable on any score." By H. Parker Willis. *Trust Companies*, January, 1934, p. 22:4.

Are We "On the Road to Ruin?"

"At least 999 people out of 1,000," Professor Fisher states, "think that our national debt was at its highest point in 1919 and 1920 and that, in 1930 it was at its lowest, and that during the Roosevelt administration it has been intermediate but rising. This picture is wrong in every particular. The debt in 1919 was not the maximum; the debt in 1930 was not the minimum. The debt in the Roosevelt administration has not been intermediate and it has not

been rising." To be startled by these assertions indicates that one does not understand "the real meaning of money."

To facilitate an understanding of the debt figures, Professor Fisher multiplies them by the per cent relationships existing between the price level in the several years and the price level in 1926 and finds that "the debt in 1920 was not 26 billions but 26 multiplied by .60, or 13½ billions; that of 1930 was 16 billion times 1.16, or 18½ billions; that of last March, 21 billion times 1.82, or 38 billions; that of today, 24 billion times 1.39, or 33 billions. Thus we see that between 1920 and 1930 the debt actually rose from 13½ to 18½. That is, the rising dollar more than offset all the nominal economies of Secretary Mellon (which reduced the figure from 26 to 16). The peak was reached last March when, in terms of the same 1926 dollar, the debt was 38 billions (instead of the nominal 21). Since then the shrinking of each dollar has more than wiped out the President's increase in numbers, giving us (in 1926 dollars) 33 billions (instead of 24)." He concludes that the proposed emergency expenditures of the Federal Government will probably raise the price level and, in so doing, will not add to the real burden of debt at all. By Irving Fisher. *Irving Fisher Weekly Article*, January 15, 1934. 3 pages.

Insurance*

Individual Liability of a Manager or Other Employee

A decision of unusual importance is found in the case of *Stith vs. Newberry Company*, Missouri Supreme Court. The company operated a store in immediate charge of one Johnson. The plaintiff sustained an injury by slipping on ice formed by water dripping from an awning to the sidewalk. Suit was brought against the manager and the company. The court held that Johnson was charged with the respon-

sibility of protecting the public by using the awning in such manner that an improper condition would not be created by its use.

The case is said to revive the established legal principle that an employee is liable whenever he is guilty of such negligence as would create a liability if no relation of master and servant existed. The article points out how those interested may be protected against such claims. *The Casualty Insuror*, February, 1934, p. 15:1.

* Insurance abstracts are contributed by P. D. BETTERLEY, Assistant Treasurer, Graton & Knight Co.; Vice-President in Charge of Insurance Division, American Management Association.

Truck Owned by the Assured Is Not a Common Carrier

A theatrical company brought suit against a fire insurance company to recover loss of their movable property under a floater policy but the court held that the policy insured the property only when out of the custody of the owner. The policy covered loss while the property was in transit by railroads, licensed public truckmen, other common carriers. *The Eastern Underwriter*, October 6, 1933, p. 31:1.

Note.—Buyers of transportation insurance may find it worthwhile to review their contract. The policy should be extended to cover trucks owned or operated by the insured. Hired or borrowed trucks would then be included.—Ed.

Insurance Company Investments

The article pertains to investment practices of stock and mutual insurance companies, citing statistics contained in the 1933 Insurance Year Book published by the Spectator Company. Conclusions are drawn which should prove interesting to buyers, sellers and producers. *Journal of American Insurance*, November, 1933, p. 18:2.

Proceedings of the Twenty-seventh Annual Convention of the Association of Life Insurance Presidents

Held in New York, N. Y., at the Waldorf-Astoria, December 7 and 8, 1933. 259 pages.

Liability Under Marine and Fire Floaters

The dividing point between a marine policy and a fire floater was defined in a case recently heard in the New York City Court. The marine policy covered from warehouse to warehouse and it was claimed that the pier constituted a warehouse. The fire floater excepted property in transit.

It was argued that the consignee had notice of arrival but failed to remove the property from the pier for a period of ten days. The court held that the ship-

ment was still in transit and protected under the marine policy. *The Insurance Field*, December 28, 1933, p. 9.

Loss Payment Rule Modified

The rule which has prevailed during the past year restricting payment of losses under certain conditions to 60 days from the date of filing claim, has been modified to provide for payment in thirty days from the date of loss. The National Board of Fire Underwriters recommends to its member companies that this be applied only to losses in excess of \$500. An exception is made in the case of auto collision, property damage, windstorm, earthquake, conflagration and certain other types of losses. This does not override the rule which any given state may have with different restrictions as in the case of Maine and New Hampshire. This amendment is effective as of February 1, 1934. *The Spectator*, February 1, 1934, p. 24.

Plan to Drop Schedule Rating in Compensation Insurance

The National Council on Compensation Insurance has proposed elimination of schedule rating and in certain jurisdictions they will cease as of December 31, 1933. Approval is sought for a similar change in other states. It is stated that these steps evidence the desire of insurance companies for establishment of compensation rates based on experience. It is hoped that insurance engineers may concentrate their safety work with more direct effect on the frequency with which accidents occur. *The Spectator*, November 16, 1933, p. 29:2.

Effective Cancellation Notice

A decision in the Court of Appeals in New York, after four years of litigation, re-affirmed the old rule that while a notice of cancellation of insurance may be given to the company by the insured at any time, it must be actually received by the company or its duly authorized agent to be effective. The court held that a

notice of cancellation in the mail at the time of the fire is ineffective, and that a notice to the broker is ineffective since

he is acting for the insured and not for the company. *The Insurance Field*, December 21, 1933, p. 15.

OFFICE MANAGEMENT

Space: Location, Equipment, Arrangement

Why We Decided to Air Condition Tribune Tower

"Tribune Tower is being air conditioned as a contribution to the comfort, health and efficiency of its occupants, as a contribution to the progress of air conditioning for all, and as a contribution to the economic revival of the nation." As to the first aspect of the enterprise Col. McCormik says, "We believe there is no more reason for human beings to suffer from too much heat than there is for them to suffer from too much cold." Many of the people who will enjoy the benefits of air conditioning in Tribune Tower this summer will want the same convenience in their homes. This brings us to the last aspect of this program—that of economic revival. Regarding it the author says, "The staggering problem of unemployment is to be solved not so much by the revival of older activities as the creation of new." A detailed description of the air conditioning system to be used in the project accompanies this article. By Col. R. R. McCormik. *System and Business Management*, February, 1934, p. 70:3.

Machine Accounting Methods as Applied to Accounts Payable

The use of tabulating equipment by the RCA-Victor Company, Inc., has been so varied and important that the activities have been classified as the machine accounting division, rather than by the usual title of tabulating division.

This article deals in some detail with the following considerations: types of machines used; variety of accounting detail; preparation of accounts payable in the general accounting division; machine account-

ing detail; personnel; floor space; statistical summary. By R. W. Wythes. *N. O. M. A. Forum*, December, 1933, p. 10:3.

Speeding Orders between Office and Plant

Customer service has always been important. But today, and in industries where price competition has been more or less removed through codification, it is more important than ever. One of the most necessary components of good customer service is prompt delivery. And prompt delivery means taking out lost minutes all along the line, from initial order to final delivery. In this article, Mr. Morgan tells how the Republic Steel Corp., by means of tele-typewriter connection to various plants, takes the lost minutes out of the transmission of orders. By R. J. Morgan. *The Iron Age*, February 1, 1934, p. 16:3.

Accounting Costs Reduced

The adoption of mechanical accounting has made it possible for the Motor Parts Company to speed the work and effect substantial savings in the cost of handling charge accounts. Greater speed and accuracy are possible with this new method. Office control and management of the business have been facilitated to a considerable degree. While the method was designed for the specific purpose of controlling adequately thousands of charge accounts, it has enabled the management to check all other accounting operations with ease and certainty. The accounting machine is the mechanism which has made these results possible. This machine is used to post all entries, prepare invoices and statements,

write auxiliary office records, and provide a daily balance. *System and Business Management*, February, 1934, p. 79:2.

The Last Word in Office Buildings

The new office building of the Metropolitan Life Insurance Company in New

York is completely air conditioned, sound-proofed throughout and absolutely fire-proof. The many unique and original features of the building are described and illustrated by photographs. *System and Business Management*, January, 1934, p. 11:3.

Training and Education: *Schools, Libraries, Employee Publications*

How We Train Reservists for Our Front-Line Executives

"In a concern of this size," the Chairman and Managing Director of Associated Equipment Company, Ltd., states, "one of the greatest staff problems is the securing of an adequate reserve of executives." To meet this problem his company has established a training school from which students graduate through the organization to secondary positions in specific departments. A feature of the company's policy is that every department head has a personal assistant, or understudy, who is trained to do the whole of his chief's work when necessary. He is, in addition, the liaison

officer between the rest of the department and the head, so that the head of the department may keep his time free for matters other than routine. "The last but not the least factor in our successful search for the best possible brains in our concern," the author concludes, "is this: it is well known that salaries paid are commensurate with the responsibilities which our executives have to shoulder. We find that the policy of adequate remuneration is definitely one of the best incentives to wholehearted work; it sharpens the competition among our young men, and brings out the very best that is in them." By C. W. Reeve. *Business*, January, 1934, p. 7:2.

PRODUCTION MANAGEMENT

General: *Promotion, Organization, Policy, Development*

"P. K." Carries On

The William Wrigley Jr. Co., chewing gum manufacturers, despite conditions, went forward, enjoyed increased production, spent money, earned profits, did everything it could to relieve conditions, and entered 1934 with more employees than it had in 1929. The treatment of employee is one of the most important parts of the company's operating schedule. Its program is based on the belief that the main objectives of any personnel relationship should be to safeguard the job and assure a living wage in the pay envelope. When most concerns throughout the country laid off their help, Wrigley adopted a policy of distributing the work. "I cannot help but feel that if the policy of staggering em-

ployment had been made universal in 1930, purchasing power would have been materially sustained throughout the depression," says Mr. Wrigley. Among the elements of the Wrigley personnel program described are, group life insurance, stock purchasing plan, home extension service, educational and technical training. As told to George Applegren by Philip K. Wrigley. *Commerce*, February, 1934, p. 19:3.

Working Out Manufacturing Cost Standards for an Industry

The manufacturers of porcelain enamel products in the United States—working through their national trade association—have set out to establish uniform "estimating standards," and also uniform costing

methods for their industry. They have established through their NRA Code four main divisions of their industry. Each of these divisions is now preparing, as an emergency measure to precede the promotion of its uniform cost accounting methods, a "schedule of trade practices." These schedules, when completed and accepted by the respective divisions and when approved by the industry as a whole through their "majority vote" plan, and when also approved by the NRA Administrator, will, of course, become parts of the Supplementary Code of the Porcelain Enameling Industry. By Randall R. Howard. *Mill & Factory*, February, 1934, p. 25:6.

Index to A. S. T. M. Standards and Tentative Standards

American Society for Testing Materials, October, 1933. 124 pages.

Why the Consumer Wants Quality Standards

The Consumers' Board of N.R.A. has recently completed a report calling for the setting up in Washington of a Consumer Standards Board. This Board, composed of a technical staff of commodity experts and a cooperating inter-departmental committee, would plan specific standards in consultation with industry, authorize needed research and testing at the Bureau of

Standards and elsewhere, and promulgate the resulting standards. Such standards would be developed in terms of consumer use-conditions and usable grade nomenclatures.

Dr. Lynd who was chairman of the committee which drafted this proposal, herein sets forth the case for standardization and points out its implication for both consumers and manufacturers. By Robert S. Lynd. *Advertising & Selling*, January 4, 1934, p. 15:5.

The Location of Manufactures in the United States, 1899-1929

This study is a survey of the location of industry in general and of the ninety-four separate industries comprising the major part of the manufacturing of the United States. By Frederic B. Garver, Francis M. Boddy and Alvar J. Nixon. *University of Minnesota Employment Stabilization Research Institute Bulletin No. 6*, December, 1933. 105 pages.

To Meter is to Know and Save

A discussion of the value of metering electrical energy, steam, gas, air or water as a means by which departmental or other unit charges may be properly allocated, production costs determined, wastes detected. By Ottomar H. Henschel. *Factory Management and Maintenance*, February, 1934, p. 64:3.

Plant: Location, Lighting, Heating, Ventilation

Industry Dresses Up for a Comeback

Any measures that tend to eliminate or retard deterioration and depreciation in a plant have a distinct profit value. Aside from the purely dollar and cents considerations there are many practical reasons for the immediate use of paint in a factory—better lighting, resulting in elimination of eyestrain, speeding up production, and adding to the physical safety of employees. Not the least important aspect of new paint, says the author, president of the American Writing Paper Company, is its

effect on the morale of the personnel. Men and women have an added incentive to do better work if the factory in which they work has a spic and span appearance. By S. L. Willson. *Mill & Factory*, February, 1934, p. 42:3.

Latest in Layout Did This to Costs

This article describes a new development in factory layout. A continuously moving conveyor with double-decked spurs delivers the parts in boxes, selectively keyed so that they will enter any chosen spur. It

has been found that, through the use of straight-line rather than functional manufacture in the Western Electric Company, raw-material and process-stock investment was cut in half and the piece-part investment was reduced about 70 per cent. Floor

space was reduced 17, and manufacturing interval about 87 per cent. A description of the entire layout is given with a picture of each set-up. By R. H. Patchen. *Factory Management and Maintenance*, February, 1934, p. 47:6.

Industrial Economics: Labor and Capital, Legislation, Wage Theory, Immigration

The Outlook for Unemployment Insurance in the Codes

Two factors responsible for the ruling apathy toward unemployment insurance in the councils of the Recovery Administration are the universal and complex labor legislation formulated and adopted in so brief a space of time and the theory underlying the NRA—that unemployment can be reduced by shortening the work-week, that the volume of business activity can be augmented by raising wages and thereby increasing the purchasing power of millions of wage-earners and salaried employees. "The continued lack of balance in American business processes, the disparate changes in costs among industries during the past months, and the importance of fundamental elements of uncertainty in the business situation," the Chairman of the Labor Advisory Board of the National Recovery Administration says, "point to the persistence of a large volume of unemployment."

With the growing realization that the volume of American unemployment will for some time continue to be unusually large, the pressure for state unemployment insurance legislation is bound to grow and to lead shortly to the passage of laws in several of the industrial states of the country. If this happens we shall repeat in the United States many of the mistakes made by other countries and raise knotty problems which we might otherwise avoid. The form of organization created by the codes makes possible experiments with unemployment insurance along new and more hopeful lines. Reserves for unemployment, designed to cover the employees

of an industry and jointly administered by employers and labor under the supervision of public agencies, will solve the problems of interstate competition which have always retarded the advance of social legislation in this country; will ensure greater efficiency and flexibility in administration; will avoid the subsidizing of dying industries by more prosperous ones and thus hasten the solution of the problem of unemployment in declining industries; will strictly limit insurable risks and thus separate the unemployed who must receive relief from those who will be recipients of unemployment insurance benefits; and will encourage experimentation with methods of prevention and devices for reducing the amount and frequency of unemployment. By Leo Wolman. *Proceedings of the Academy of Political Science, Columbia University*, January, 1934, p. 3:7.

The Normal Basis for Corporation Salaries

Pointing out that poor management is a dear purchase at any price, Colonel Rorty proceeds to explode the notion that salaries, at the top, are penalizing the forgotten man below. He develops a generalized normal scale of salary and wage relations, in which a base figure of 100 is used for the minimum wage. The maximum wage in each grade is assumed to be 50 per cent higher than the minimum, and the minimum compensation in each higher grade is assumed to be 25 per cent above the maximum in the grade just beneath. It is these latter relations which represent the preception by workmen, themselves, of reasonable gradations in compensation. This

orderly succession of advances in compensation from rank to rank necessarily leads, in large organizations, to substantial salaries in the upper ranges.

"From the standpoint of national progress," he concludes, "there is no asset so great as the skill of the constructive and professionally-minded technician and executive. Gradually and steadily an increasing number of these have been rising to positions of authority in corporation management. To deny to the leaders of this group a fair measure of the monetary rewards they might hope to find in business or the professions would be the very antithesis of sound economic planning." By M. C. Rorty. *The Iron Age*, January 18, 1934, p. 10:3.

Voluntary Group Hospitalization

The widespread discussion of the movement for the provision of hospital service to employed groups by voluntary prepayment plans has attracted the attention of leaders in industry, and, as a result, information is being sought as to the feasibility and desirability of such plans. In an attempt to clarify the subject it is here proposed to define the activity, indicate its relation to industry, comment upon the attitude of the medical profession toward it, state the legal aspects involved, and then suggest the essentials of a sound and equitable plan. By William H. Walsh. *Industrial Medicine*, November, 1933, p. 273:6.

Labor Under the National Recovery Act

In his interpretative analysis of the changes in labor relations and labor conditions under the Recovery Act, Dr. Slichter summarizes significant developments in the regulation of hours and wages. The right to organize and bargain collectively, as afforded by the Act, is shown to have brought trade unions and employee-representation plans into direct competition and it is maintained that this struggle for the right to represent the workers will modify industrial relations in the United States throughout the next decade. "Managers,"

he concludes, "should not expect the more or less family relationship which was possible within employee-council plans in the past to continue in the future. This family relationship was possible largely because there was little or no real bargaining and because committees handled in the main individual complaints which it was simply good business for managements to settle generously. . . . The time has come when the employer who wishes truly cooperative relationships with his workers can obtain them only by scrupulously respecting the right of the men to form and control their own organizations, whether these be affiliated with the general labor movement or not, and to deal with them through representatives of their own choice, whether these be employee committees or union business agents." By Sumner H. Slichter. *Harvard Business Review*, January, 1934, p. 142:22.

To Rationalize Investment Destroy Surplus Capacity

Reducing the operating hours of machinery, says the author, does not tend to build up wages or volume stability. On the contrary, it penalizes the efficient units to make jobs for the obsolete ones. It would be far better to wipe out the obsolete and inefficient industrial units and let the efficient ones become prosperous.

Surplus capacity, the writer believes, should be bought up by the industries concerned, and destroyed. And to prevent a new surplus of obsolescence from emerging from the ashes of the scrap pile, he proposes a "competitive franchise system." By H. P. Losely. *The Iron Age*, December 7, 1933, p. 16:3.

Effect of the Economic Depression Upon Health

A study of the effect of the economic depression on health, published by the United States Public Health Service, covers actual conditions among the depression poor in three cities. This study, showing the greatly lowered income among a high per-

centage of the families in 1932 as compared with 1929, reveals that in the group with diminishing incomes during the period the illness rate was 60 per cent higher among persons who were "comfortable" in 1929 but "poor" in 1932 than in the group of persons who were in comfortable circumstances throughout the period. A similar trend is shown among groups which had not experienced so decided a change in economic condition, that is, those who had dropped from comfortable to moderate circumstances. The data for all the groups covered in the study bear out the fact that a relatively large drop in economic status appears to be connected with a high illness rate. *Monthly Labor Review*, January, 1934, p. 82:6.

German Cartels and the NRA

The movement in this country, essaying to fix minimum wage rates and maximum working hours, to restrict production in some lines, to reduce price disparity, and in general to stabilize industry has had its counterpart in the German cartels. In order that American trade associations may benefit from this foreign experience, the author analyzes the factors which determined the success or failure of stabilizing efforts in representative German industries. By Mabel S. Lewis. *Barron's*, January 22, 1934, p. 18:1.

Employee Service: Hygiene, Recreation, Lunch Rooms, Stores, Safety

Accidents to Telegraph Messengers

The occupation of telegraph messenger, especially when a bicycle or motorcycle is used, is a hazardous one. This is disclosed by a recent study by the United States Children's Bureau, made from the records of the two large telegraph companies. Foot messengers suffer the fewest accidents in proportion to the number employed and motorcycle messengers the most. The ratio of lost-time injuries of Western Union messengers in 1931 was 4 per 100 for foot messengers, 11 per 100 for bicycle messengers, and 44 per 100 for motorcycle

Ten Years with a Works Council

This experience in employee representation points out how it helped to establish fair rates, handled privilege seekers, ironed out dissatisfactions, changed so-called radicals into good plant citizens, uncovered supervisory material and was generally helpful in the smooth operation of an industrial unit. By C. J. Stuart. *Factory Management and Maintenance*, February, 1934, p. 53:4.

Unemployment Relief Measures in New Zealand

Prior to 1930 no comprehensive relief scheme existed in New Zealand but in that year the rapid increase in the numbers of unemployed led to the adoption of special legislation providing for the establishment of a national Unemployment Fund and an Unemployment Board for its administration. The main functions of the board are: 1. To make arrangements for the employment of persons who are out of work; 2. To promote the growth of primary and secondary industries in the country with a view to increasing the volume of employment; and 3. To make recommendations for the payment of sustenance allowances out of the Unemployment Fund to unemployed contributors. By E. J. Riches. *International Labour Review*, January, 1934, p. 21:22.

messengers. Approximately two-thirds of the messengers use bicycles in their work, 30 per cent deliver and call for telegrams on foot, and 4 per cent use motorcycles or automobiles. By Ellen Nathalie Matthews. *Monthly Labor Review*, January, 1934.

How to Train Drivers in Traffic Safety

"The foundation of all traffic safety is made up of two elements: 1. Safety attitude; 2. Knowledge of the motor vehicle code of the state." The Safety Director, Pennsylvania Indemnity Corporation, suggests three ways to ascertain the exact and

proper knowledge of both which drivers possess: 1. By trial and error—both costly and unsafe; 2. By written test—will give their safety attitude; 3. By problem dis-

cussion—creates safety mindedness by appealing to emotions, intelligence and experience. By J. Russell Craig. *Power Wagon*, January, 1934, p. 15:3.

Shop Methods: Industrial Engineering, Standardization, Waste, Rate Setting, Time and Motion Study

Supervision and Standardization in the Foundry

The author makes a strong case for the practical man as the supervisor of the foundry. Provided he is a student of human nature as well as of foundry technique, which is true of those showing any progressive traits, the foundry will be signally successful in respect to quality of output and minimum foundry losses. Stressed as an outstanding need in foundry procedure is a recording of practices so that eventually standards are established for the control of every class of product handled by the foundry. By Paul R. Ramp. *The Iron Age*, February 8, 1934, p. 12:4.

The Taylor System in the Dollé Factories, France

The Dollé Works manufacture agricultural machines on mass production lines. With the introduction of the Taylor System a central planning department coordinates and launches every operation performed in the works. The same department carries out time and motion studies of all these operations, standardizing the jobs and the tools to be used for them. It costs all the operations and controls both the buying and storing of materials and parts with a view to reducing working capital requirements to a minimum, while avoiding any delay in the manufacturing process. The result of this organization is to distribute among the various sections of the planning department most of the functions which are usually carried out by foremen in shops. Each section in the planning department directly controls the individual operatives. To this organization has been added budgetary control. *International Management Institute*, 1933. 57 pages.

Mechanical Method Provides Accurate Control of Warehouse Stocks

A delineation of the method used by the Frank H. Fleer Corporation, manufacturers of chewing gum, for the control of manufactured stocks in public warehouses. This company uses the facilities of a chain of 28 public warehouses for the national distribution of its products to more than 15,000 customers. The plan is described in detail. *System and Business Management*, December, 1933, p. 560:2.

These Plans Cut 40 Per Cent Off Our Working Costs

A delineation of the method by which Cluett, Peabody & Co. cut costs in the "indirect manufacturing departments" by 40 per cent. Some of the major economies were: placing working foreman in charge of the maintenance shops; a daily analysis of all construction and repair orders by the plant engineer and the maintenance manager; placing all cleaners under one supervisor and having the cleaning done at night. By R. S. Payne. *Business*, February, 1934, p. 23:2.

More "Do" Less "To-Do"

A description of the progress of job analysis in the Westinghouse Electric and Manufacturing Company. Papers on the subject have been distributed among the supervisors to rouse their interest and motion pictures of jobs before and after improvement are shown to groups of workmen. The process chart is an important unit of job analysis procedure. A detailed process chart of one operation accompanies the description. By C. G. Johnson. *Factory Management and Maintenance*, February, 1934, p. 67:3.

"Labor Extension" in a Cotton Mill

A study, by the Institute of Human Relations, Yale University, of the human problems of technological development as indicated by the introduction of the "Stretch Out" System (process of introducing labor saving methods, not labor saving machinery) in the Pequot Mills. Although this investigation is incomplete, "it appears that such factors as proper timing and scheduling, a scientific attitude, a systematic and

comprehensive approach to the human as well as the technical aspects, the establishment of means for assuring understanding, and the provision for the protection of worker interests sufficient to meet the risks and fears of unemployment and exploitation are especially important in the management of a technological change, if adverse human and social consequences are to be avoided." By R. C. Nyman. *The Personnel Journal*, February, 1934, p. 264:9.

MARKETING MANAGEMENT**All Dinosaurs Must Die**

The laws of nature are the laws for business; they demand continual adaptation to changing demand. "We must anticipate changing demands; we must recommend the necessary adjustments," says the vice president, Samuel C. Croot Company. "To find out what the public wants, to discover their secret cravings and hungers and desires, we must dig far deeper than we have dug before. Asking them is too easy. Few of them know what they want, save subconsciously, and seldom if ever are they able, unaided, to externalize their unconscious yearnings in terms of the concrete. Therein lies the gist of our job. In foods, clothing, housing, transportation . . . wants exist—wants we can fulfill, if only we can externalize them." By Carl W. Drepperd. *Advertising & Selling*, February 15, 1934, p. 24:2.

The Manufacturer's Problem of Returned Merchandise

A trade abuse of major significance which has become particularly offensive since the World War is the return of merchandise by retailers to manufacturers. The causes underlying the prevalence of this abuse are manifold and may be traced to the policies of both parties. In discussing proposed remedies, the author points out that the capacity of a manufacturer to solve the problem varies with his strength in the industry, while the retailer's contribu-

tion to a solution rests primarily on the acceptance of responsibility in the matter and a desire to operate on ethical as well as sound business principles. The concerted action of trade associations offers a partial, if not perfect, solution; and arbitration, in those instances where it has been attempted, has had marked success in reducing unjustifiable returns. By J. L. Brock. *Harvard Business Review*, January, 1934, p. 253:8.

Stocks Reduced, Turnover Increased, by This Simple Forecasting Plan

By a system of sales forecasting—budgeting—Jaeger & Co., Ltd. worked more profitably on a narrower margin of stock and also increased the speed of turnover by separating the sections more definitely and keeping a more sensitive control over each. With this forecasting plan each retail branch manager fixes his own budget every month in personal collaboration with the budget controller at the head office. By H. Arnfield. *Business*, February, 1934, p. 9:2.

Looking into the Customer's Head

During the past few years a changing attitude towards distribution has led to developments which indicate that distribution may some day become as scientific and economical as manufacturing has been these many years. The mind of the customer is being better understood; how he responds

to different sales situations, and, most important, the goods he wants to buy and will buy with least sales costs, is almost becoming a science. After discussing some simple but very practical examples of this development, Dr. Laird concludes that "continual testing . . . usually with little details,

is growing on a wide front. It is a valuable lesson that has been learned from the crucible of slow and costly sales. A little ingenuity, a scientific attitude, and the desire for practical facts are all that are needed." By Donald A. Laird. *The Rotarian*, January, 1934, p. 19:5.

Sales Promotion: Letters, House Organs, Advertising

Management Policies That Built a World-Wide Business

In this article, Lord Leverhulme traces the growth of his company from an idea suggested by a "private brand" soap made for Lever Brothers wholesale grocery forty years ago, to the present organization, which has more than 800 associated companies and an issued capital of £59,000,000. He describes, in addition, present policies and practices with reference to finance, to the development of new products and markets, and to personnel. By William Hulme Lever. *Executives Service Bulletin*, January, 1934, p. 3:2.

Mrs. America Wants the Facts

A recent study of consumer attitudes for Gimbel Brothers, Inc., of New York in which forty thousand women in four cities were interviewed, showed that the cash customer thinks in terms of "value"—price plus quality; and the mass consumers' idea of quality is interpreted solely in terms of "values-in-use" and these are her guides to purchases. The results of this survey prove conclusively the housewife's tremendous dependence today upon advertising. She knows what products she wants and precisely what information she wants about those products; it is up to advertising to satisfy her demands. By James Edmund Boyack. *Advertising & Selling*, February 15, 1934, p. 22:3.

Discarding 37 States, Brockway Lifts Sales Volume 25 Per Cent

By careful determination of its best potential market area, and design of its products to meet the needs of that market, Brock-

way Motor Company increased the unit sales volume of its trucks and trailers 25 per cent and its dollar sales volume 28 per cent in 1933. By Lawrence M. Hughes. *Sales Management*, January 1, 1934, p. 2:2.

Sales Doubled

"Sales promotion" is a term which has only rarely been used in the heavy industries. The United Steel Companies, Ltd., however, of which the author is sales promotion manager, has developed a technique of "planned" selling which coordinates product investigation, market research, advertising and personal selling. Their campaigns which are described in outline form, "more than doubled our sales of alloy steels—and this on a continually depressed market." By Frank Rowlinson. *Business*, January, 1934, p. 18:2.

What Salesmen Should Know About Company Advertising

The decision as to whether the advertising matter of a company is worth distributing to its sales force is one which must be made in each individual case by the departments concerned. If the company adopts an affirmative policy in this matter, the author, who is chief copy writer of the American Rolling Mill Company, offers a number of suggestions as to the manner in which the most desirable results can be obtained. The salesmen should first of all be informed about the whole advertising scheme of the company, the editorial and advertising scope of the media used, and how the money spent for advertising will help to produce more sales. The sales ap-

proach should be harmonized with the advertising approach and the salesmen should be coached in the most effective manner of utilizing the company's advertisements while interviewing prospective buyers. By William E. McFee. *Printers' Ink Monthly*, January, 1934, p. 15:3.

The Eye Versus the Ear

The General Advertising Manager, Colgate-Palmolive-Peet Company, analyzes Professor Frank N. Stanton's (Ohio State

University) tests of the comparative effectiveness of advertising copy presented to two groups of individuals by the printed page and by the radio. The tests showed that advertisements which were heard were better remembered than those which were read. The author suggests that more experiments be performed to measure the relative values for advertising copy, of eye impressions and ear impressions. By Ken R. Dyke. *Advertising & Selling*, February 15, 1934, p. 20:3.

Salesmen: Selection, Training, Compensation

Depression Days' Expense Accounts Still in Order, but Rising Prices are Forcing Some Adjustments Upward

Two hundred companies reported to *Sales Management* recently on present practices in handling salesmen's expense accounts; about 10 per cent said that some increases in allowances have already been made, notably for hotel, food and auto expense. The salesmen's expense account practices of the various companies are tabulated. *Sales Management*, February 1, 1934, p. 88:3.

How Should Salesmen be Paid?

The National Association for Salesmanship (England), recognizing the importance of compensation methods, conducted a debate on the subject. In this article the case for a fixed salary, for straight commissions and for a combination of salary and commission is summarized as presented by different individuals. A vote was taken at the conclusion of the debate and the salary-and-commission system secured an easy victory. *Marketing*, December, 1933, p. 16:3.

Salesman's Blues

One of the most difficult problems in sales management is involved in detecting and combating recurrent periods of pessimism on the part of salesmen when they are inclined to wonder if, after all, their com-

pany and product are as much better than their competitor's as they have been led to believe. The author lists eight necessary requisites for eliminating such a state of mind among a company's salesmen. By William A. McKerron. *Printers' Ink*, January 4, 1934, p. 61:4.

Increasing the Efficiency of Selection Tests

By use of a new statistical procedure, called the "method of successive residuals," a sales ability test consisting of 117 objective items has been developed by the Procter and Gamble Company. This test, when given to a group of specialized salesmen, was found to correlate .975 with measures of success on the job, and to have a reliability coefficient of .93. By Paul Horst. *The Personnel Journal*, February, 1934, p. 254:6.

Why We Insist Upon a Written Contract with Our Salesmen

A printed form which reduces agreements with salesmen to a fixed, uniform policy has been used by the Hough Shade Corporation with considerable success for the past eight years. The vice president in charge of sales explains the written contract which contains twenty-nine paragraphs covering subjects which so frequently give rise to disputes with salesmen and representatives. By L. J. Steffen. *Sales Management*, January 1, 1934, p. 26:2.

Characteristics of Life Insurance Salesmen

A battery of personality and intelligence tests was given to a group of 557 new agents and 62 assistant managers in a large life insurance company. Preliminary analysis of the data shows that the assistant managers scored slightly lower than the new agents in ascendance and extroversion, and higher than the new agents in intelligence. Those with high production records, however, averaged higher than the low production men in ascendance and extroversion. Averages on the intelligence tests for the two groups were about equal. Comparisons of assistant managers and new agents on the Strong Vocational Interest Blank showed the former to belong predominantly in the linguistic and social service groups, and the latter in the commercial

and clerical groups. By P. S. Achilles and R. S. Schultz. *The Personnel Journal*, February, 1934, p. 260:4.

Training of Salesmen

A complete training, beginning with ordinary clerical work and progressing through the various stages of filing and typing to sales correspondence and the order desk is the background given the salesmen of the Vacuum Oil Co., Ltd. When the new salesman is sent out in the field an assistant manager accompanies him over his entire territory establishing contact for the new man with all the principal customers. Periodically all the representatives of the company are called in, generally three times in alternate years, and put through a three days' course of training. By G. Leckie Watson. *Marketing*, January, 1934, p. 5:2.

Retailing

The Home Modernization Movement

Many authorities believe that the whole-sale modernization or replacement of obsolete houses will become America's most flourishing industry. Right now, says the author, who is associate editor of *Architectural Forum*, there is a definite trend toward the renovation of residential buildings. This article points out a broad promotional opportunity for department stores to stimulate the sale of home furnishings and household equipment of all types, and suggests how stores can effectively exploit the movement in conjunction with the building trades and architectural groups. By John Cushman Fistere. *The Merchandise Manager*, February, 1934, p. 17:3.

Synthetic Prosperity—Will It Last?

If the spending program projected by the administration is a huge gamble in the war against the forces of depression, the President, at least, has heavily loaded the dice in his favor, says Mr. Rukeyser. The short term outlook is for expanding sales volume for retailers, with prices continuing

to advance and with a good chance for satisfactory results for stores which take the aggressive. Long term prospects, however, are far less certain, according to this authority. Much depends on whether business will be able to relieve the necessity for huge government doles. By Merryle Stanley Rukeyser. *The Merchandise Manager*, February, 1934, p. 25:3.

The Right Appeal in Selling

Department store salespeople can scarcely be expected to originate or discover just the right selling appeal for a given item. But they can readily memorize a simple selling sentence and use it effectively if executives responsible for sales training provide them with a ready-made version of a product's outstanding selling point. The author, founder of the Tested Selling Institute, discusses the interesting results of recent efforts by department and chain stores to teach salespeople the use of a standard sales approach. By Elmer Wheeler. *The Merchandise Manager*, January, 1934, p. 27:2.

Entranceways That Conform to the Traffic Flow

Two California stores which were forced to remodel their store fronts after the last earthquake set the entranceway to catch the flow of pedestrian traffic and the results were immediately noticeable in increased sales. Accompanying sketches show how the shape of the entrances and the contour of the display windows conform to the traffic lane. The two stores are Moore's and Swanberger's. *System and Business Management*, February, 1934, p. 78:2.

Specialty Selling Versus Store Policy

Orthodox department store policies, ideas and methods impose serious handicaps on the store attempting to obtain satisfactory volume results in electrical appliances, says the Merchandise Manager, J. L. Hudson Co. This article discusses the essentials of successful operation in this increasingly important department, and outlines the author's conception of the correct type of approach by the department store in realizing its natural opportunities in this market. By Herschel Lutes. *The Merchandise Manager*, February, 1934, p. 22:2.

Survey of Books for Executives

The Automobile Compensation Plan. By Patterson H. French. Columbia University Press, New York, 1933. 262 pages. \$3.50.

Mr. French has given us a timely analysis of a very serious and troublesome problem brought about by our modern living and methods of transportation. A simple statement suggests the "meat" of the problem. Danger is "inherent in the operation of motor vehicles by and among people of average human frailty."

Statistics showing the present congestion in New York State Supreme as well as lower courts are presented. By removing automobile personal injury cases from these courts, through the medium of a compensation plan similar to Workmen's Compensation, a very substantial relief will result, estimated at 30 to 50 per cent.

The plan itself is not very different from the present Workmen's Compensation Law. Some practical problems are presented and developed. It is recognized by Mr. French that, even should such a plan be enacted into law, the courts may declare it unconstitutional.

The workability of the plan, its cost, personnel of the administrative agency to administer the law, its effect on insurance rates, are given consideration. In this phase of the plan, no doubt, lies the aver-

age man's interest, that is, the cost to the automobile owner. Insurance companies may be able to forecast this cost, using as a basis, the auto accident records and applying to this their experience in underwriting workmen's compensation.

The possibility that the plan may be subjected after a time, to a legal procedure as cumbersome as our present method, is carefully weighed. The last section is devoted to a consideration of Administrative Law into which category such a plan would fall.

PAUL DANNENMAN,
Thomas A. Edison, Inc.

The Economics of Recovery. By Leonard P. Ayres. Macmillan, New York, 1933. 189 pages. \$1.75.

In common with the great majority of economists, Colonel Ayres views the present depression as "a great series of major mal-adjustments between production, demand, and the flow of credit"—all of which in his estimation resulted from the war—and "complicated by difficulties caused by the burden of existing debts." Colonel Ayres is of the opinion—and he buttresses that opinion with statistics and with charts—that we are now passing through the secondary post-war depression, a phenomenon which has appeared after each of the

nation's wars. The author is an outspoken critic of the recovery policies of the Roosevelt administration. He is impatient with all artificial price raising schemes, but his chief attack on the administration is centered on the National Recovery Act. "In the long run," he says, "there is just one test of the soundness of such a plan. . . . that test is whether or not it results in increased national production. For production is purchasing power." The solution, he feels, is to be found in a "reliance on business expansion through private enterprise in profit-making activities, and the adoption of a sound money policy." He states, further, "we should be prepared to adopt also the use of federal legislation and federal credit to aid in dealing with certain of the key problems of excessive burdens of debt."

The Art of Conference. By Frank Walser. Harper & Brothers, New York, 1933. 305 pages. \$3.00.

To Mr. Walser, the technique of conducting a successful conference is a fine art and he philosophically analyzes the ritual and dogma which must be followed to insure success. His analysis is based upon the premise that there are recognizable conference situations and processes which are recurrent and which may be, at least to a limited extent, scientifically controlled. Many practical suggestions for planning as well as conducting the conference are given and illustrations of their application are drawn from widely diversified fields of activity.

The Sterling-Dollar-Franc Tangle. By Paul Einzig. Macmillan, New York, 1933. 207 pages. \$1.75.

This book draws attention to the international aspects of monetary policy and puts the case for international cooperation in the monetary sphere. Couched in terms that the general reader will find understandable, it is a guide through much of the current discussion of monetary poli-

cies in their international aspects. The author believes the lack of an international spirit in monetary policy caused the failure of the Monetary and Economic Conference of June-July, 1933. No one country is singled out as responsible for the debacle.

Notwithstanding the failure of the Conference, the author believes that the monetary deadlock will be solved, if not through an agreement, then through the inevitable inflationary effect of the increasing economic difficulties. The choice lies between bringing about depreciation and devaluation by international coordinated action or allowing it to take its own course. "The first alternative is to be preferred from every point of view, but even the last alternative would not mean the end of civilization."

Internal Audit Control. By C. Aubrey Smith. University Cooperative Society, Austin, Texas, 1933. 205 pages. \$2.00.

The author classifies and evaluates the following methods of internal audit control: Double-entry Bookkeeping; Use of Records and Checkable Evidence; Controlling Accounts; Perpetual or Book Inventory Records; Mechanical Devices; Registering Machines; Bookkeeping and Billing Machines; Publicity; Bonding Officers and Employees; Personnel Control; Internal Check; and Deliberate Internal Auditing.

The Rationalization Movement in German Industry. By Robert A. Brady. University of California Press, Berkeley, 1933. 466 pages. \$5.00.

The author's analysis of the rationalization movement in Germany (to which he has given the sub-title "A Study in the Evolution of Economic Planning") is dedicated to the proposition that the basic meaning of rationalization is to be found in the historical harmony of certain fundamental tendencies in machine production and capitalistic economic organization. He examines these basic forces and describes the German institutional equipment which has been established to give direction and

coherence to them. He then sets forth the details of the rationalization movement as they evolved and were applied in representative German industries during the period from 1924 to 1929, indicating in each case the character of the forces making for acceleration as well as retardation of the movement. Finally, he analyzes the incidence of rationalization upon (a) general economic stability, (b) the status and differential advantages of various special and general interest groups—capital, consumers, labor, the state—and (c) the facts and course of social and cultural evolution.

The failure of any degree of rationalization in international developments brought about a partial or complete negation of the advantages which might have accrued to Germany as the result of various technological and organizational changes. This leads the author to conclude that "the rationalization movement will unquestionably lose its more purely technological characteristics in the future. Not that the problems of technique will not receive continued, and most probably increased, emphasis, but rather that the larger problems of co-ordination and planning will overshadow them in importance. If this happens, then the social and political implications of rationalization will most certainly grow in importance in a sort of geometric ratio."

The Menace of Recovery. By William MacDonald. Macmillan, New York, 1934. 401 pages. \$2.50.

This book "is a history and a criticism" of the Roosevelt recovery program as it had been developed and applied down to the end of 1933. Foreign relations, the tariff and foreign trade, and international reactions to the monetary part of the program are not treated.

The "history" portion consists of eleven chapters and 346 pages, the "criticism" is chiefly compressed into the twelfth chapter though we are told quite early that the Democratic candidate, "in his political and economic thinking was distinctly radical if not, indeed, socialistic." Nothing is said as to Roosevelt's career prior to 1932. The

election is characterized as a Republican defeat, "one of the worst the party had ever sustained . . . but it was significant that nearly 40 per cent of the total popular vote had been cast" for Mr. Hoover. The position taken by the President-elect as to debt discussions was "a shrewd move of a skilful and masterly politician." The new cabinet was an "undistinguished body." Frances Perkins "represented the radical side of the Cabinet membership." As the inaugural address was given "not many realized the profound significance of the challenge which had been delivered to Congress or of the threatened demand for dictatorial powers."

Although there has been some spirit of cheer and hopefulness "to a very large extent the 'recovery' of the first Roosevelt period has been both superficial and artificial."

The Human Problems of an Industrial Civilization. By Elton Mayo. Macmillan, New York, 1933. 194 pages. \$2.00.

The author presents the methods and findings of several groups of workers at Harvard University in their laboratory method of dealing with industrial problems. Illuminating findings as to the causes and elimination of fatigue and monotony incident to factory labor and the relation between production and better work conditions are given.

The first section of the book gives the results of a study of industrial fatigue, monotony and industrial morale, in which account is taken of hours, working conditions, output, health, and social background of workers in relation to output. Then comes a description of the series of experiments undertaken by the Western Electric Company at its Hawthorne Works in Chicago. Here a few workers were employed in "test rooms" and observed over a period of years.

Study of the results obtained leads to a further inquiry as to the effects which modern industrial methods are having upon social organization and the social order.